



OFFICE OF THE AUDITOR GENERAL
 WILLIAM G. HOLLAND

SUPPLEMENTAL DIGEST TO RETIREMENT SYSTEMS' AUDITS

For the years ending June 30, 2008, and June 30, 2009

According to figures provided by the retirement systems, the cumulative unfunded actuarial accrued liability for the five State-financed retirement systems as of June 30, 2009 was \$62.4 billion when using the "smoothed" valuation of assets. The unfunded actuarial accrued liability increased \$8 billion (14.7%) during FY2009 when using this method. Pursuant to Public Act 96-0043, during FY2009 the State changed from valuing retirement system assets for actuarial purposes from fair value to a methodology which "smooths" gains or losses incurred during a fiscal year to an equal amount over the subsequent five fiscal years for the calculation of annual required contributions. When using the fair value of assets, the unfunded accrued liability increased \$23.5 billion (43.2%) during FY2009.

Unfunded Actuarial Accrued Liability and Funded Ratio (in millions)

For the Fiscal Years Ending June 30, 2008 and 2009

RETIREMENT SYSTEM	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
	Actuarial Accrued Liability		Actuarial Value of Assets		Net Assets*	Unfunded Actuarial Accrued Liability		Unfunded Liability	Funded Ratio**		
	2008	2009	2008	2009	2009	2008	2009	2009	2008	2009	2009
			FAIR VALUE	SMOOTHED	FAIR VALUE	FAIR VALUE	SMOOTHED	FAIR VALUE	FAIR VALUE	SMOOTHED	FAIR VALUE
Teachers'	\$ 68,632	\$ 73,027	\$ 38,431	\$ 38,026	\$ 28,498	\$ 30,201	\$ 35,001	\$ 44,529	56.0%	52.1%	39.1%
State Universities	24,918	26,316	14,586	14,282	11,033	10,332	12,034	15,283	58.5%	54.3%	41.9%
State Employees'	23,841	25,298	10,995	11,000	8,478	12,846	14,298	16,820	46.1%	43.5%	33.5%
Judges'	1,457	1,549	613	617	479	844	932	1,070	42.0%	39.8%	30.9%
General Assembly	236	245	75	72	55	161	173	190	32.0%	29.2%	22.4%
TOTAL	\$119,084	\$126,435	\$64,700	\$63,997	\$48,543	\$54,384	\$62,438	\$77,892	54.3%	50.6%	38.4%

* State Universities Retirement System's Net Assets at fair value only include that portion of the Net Assets applicable to the defined benefit plan.

** Some percentages may differ when recomputed with amounts presented in the table because of rounding.

Ten Year Historical Trend

For the Fiscal Years Ending June 30, 2000 through June 30, 2009



Source: Information derived from Supplemental Digest to Retirement Systems' Audits issued by the Office of the Auditor General.

Note: \$7.317 billion of the State of Illinois taxableGO Bonds (Series June 2003 Pension) were allocated to the State retirement systems at the beginning of fiscal year 2004.

TIMELINE OF SIGNIFICANT CHANGES TO PENSION LAWS

<u>Effective Date</u>	<u>Public Act Number/Summary of Change</u>
August 22, 1994	P.A. 88-0593: Created a 50-year funding plan designed to increase pension funding incrementally until a 90% funding level is achieved; established continuing appropriation mechanism for payment of State contributions.
June 25, 2002	P.A. 92-0566: Provided an early retirement incentive (ERI) for SERS participants retiring before 12/31/02 (4/30/03 in some cases).
April 7, 2003	P.A. 93-0002: Authorized the State to issue \$10 billion in general obligations bonds; bonds were issued 6/12/03; \$2.7 billion of the proceeds were used to pay part of FY2003 and all of FY2004 State contributions, bond issuance costs and first year's interest on the bonds; balance of \$7.3 billion allocated to retirement systems. Commencing FY2005, the maximum State contribution to the systems equals the contribution that would have been required under the 50-year funding plan (P.A. 88-0593), if the general obligation bond contribution had not been made, reduced – but not below zero – by the State's debt service on the pension bonds.
July 30, 2004	P.A. 93-0839: Changed the measurement and calculation of liabilities due to the ERI (see P.A. 92-0566); funding spread over a 12-year period.
June 1, 2005	P.A. 94-0004: Suspended payments required under P.A. 88-0593 for FY2006 and FY2007. Instead, fixed specific amounts for FY2006 and FY2007 contributions to retirement systems; ramps up contributions in FY2008 through FY2010 so that, by FY2011, contributions will be at an amount sufficient to meet 90% funding level specified in P.A. 88-0593 by FY2045; beginning in FY2008, changes funding mechanism for ERI (eliminates 12-year funding mechanism provided in P.A. 93-0839).
July 15, 2009	P.A. 96-0043: Changed the measurement of the value of the systems actuarial assets beginning in FY2009 from the market value to a smoothed value, where any actuarial gains or losses from investment return incurred in a fiscal year shall be recognized in equal annual amounts over the 5-year period following that fiscal year.

Appropriations and Debt Service Payments for Pensions (in millions)

Retirement System Appropriations	FY 2008		FY 2009		FY 2010 ⁽¹⁾		FY 2011 ⁽¹⁾	
	Increase from previous year	Total Appropriation & Debt Service	Increase (Decrease) from previous year	Total Appropriation & Debt Service	Increase (Decrease) from previous year	Required State Contribution & Debt Service	Increase (Decrease) from previous year	Required State Contribution & Debt Service
Teachers ⁽²⁾	\$ 303.4	\$ 1,041.1	\$ 410.5	\$ 1,451.6	\$ 637.6	\$ 2,089.2	\$ 269.2	\$ 2,358.4
State Universities	88.2	340.3	109.9	450.2	252.3	702.5	145.6	848.1
State Employees'	228.9	587.7	187.2	774.9	316.1	1,091.0	102.0	1,193.0
Judges'	11.8	47.0	13.0	60.0	18.8	78.8	11.5	90.3
General Assembly	1.6	6.8	2.1	8.9	1.6	10.5	1.6	12.1
Subtotal	\$ 633.9	\$ 2,022.9	\$ 722.7	\$ 2,745.6	\$ 1,226.4	\$ 3,972.0	\$ 529.9	\$ 4,501.9
Debt Service Payments General Obligation Bonds – Pension Funding Series, June 2003.	\$ 50.0	\$ 546.2	\$ (1.2)	\$ 545.0 ⁽³⁾	\$ (1.4)	\$ 543.6 ⁽³⁾	\$ (1.7)	\$ 541.9 ⁽³⁾
TOTAL	\$ 683.9	\$ 2,569.1	\$ 721.5	\$ 3,290.6	\$ 1,225.0	\$ 4,515.6	\$ 528.2	\$ 5,043.8

Notes: ⁽¹⁾Unaudited.

⁽²⁾Includes General Revenue Fund reimbursements appropriated for minimum benefits paid under 40 ILCS 5/16-186.3 that are not part of the continuing appropriation.

⁽³⁾Unaudited, scheduled debt service payments. The first principal payment (\$50 million) was made in FY2008. FY2009, FY2010 and FY2011 debt service also includes \$50 million principal payment.

State Required Contributions and Debt Service for the Years Ended June 30, (in millions) (unaudited)

Retirement System	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Teachers'	\$ 2,089.2	\$ 2,358.4	\$ 2,580.4	\$ 2,847.4	\$ 3,121.5
State Universities	702.5	848.1	944.6	1,039.8	1,134.2
State Employees'	1,091.0	1,193.0	1,279.0	1,375.0	1,470.0
Judges'	78.8	90.3	93.7	98.0	102.1
General Assembly	10.5	12.1	12.4	13.0	13.5
Subtotal	\$ 3,972.0	\$ 4,501.9	\$ 4,910.1	\$ 5,373.2	\$ 5,841.3
Debt Service	\$ 543.6	\$ 541.9	\$ 590.1	\$ 586.4	\$ 582.5
TOTAL	\$ 4,515.6	\$ 5,043.8	\$ 5,500.2	\$ 5,959.6	\$ 6,423.8

Source: Information derived from June 30, 2009 actuarial valuations provided by each retirement system.